



Cass Business School  
CITY UNIVERSITY LONDON

**NHS**

*Improvement*

# Mergers in the NHS: lessons learnt and recommendations

## Summary

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## About NHS Improvement

NHS Improvement is responsible for overseeing foundation trusts, NHS trusts and independent providers. We offer the support these providers need to give patients consistently safe, high quality, compassionate care within local health systems that are financially sustainable. By holding providers to account and, where necessary, intervening, we help the NHS to meet its short-term challenges and secure its future.

NHS Improvement is the operational name for the organisation that brings together Monitor, NHS Trust Development Authority, Patient Safety, the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.

## Introduction

This summary provides practical advice for board members and senior executives of foundation trusts and trusts going through a merger<sup>1</sup> process. We commissioned research from Cass Business School to help mergers achieve their expected benefits for providers, patients and taxpayers.<sup>2</sup> Cass interviewed 37 senior NHS executives who have recently led deals and reviewed related best practice evidence to create a long list of recommendations. We then reviewed the work and drew on our experience of transactions to create the eight recommendations below.<sup>3</sup>

For more practical support and insights into achieving anticipated benefits for patients, see *Improvements NHS providers have achieved through mergers* and *Factors affecting the success of NHS mergers*.

### Pre transaction

- Be very clear about the specific changes needed to realise all the benefits you expect from the transaction (not just financial benefits).
- Be rigorous in assessing transaction funding requirements as well as in spending decisions post transaction.
- Take real care with due diligence, particularly clinical due diligence. Engage with clinical staff at both organisations before the transaction to ensure an understanding of how services will be run with buy-in across the enlarged organisation. Place people in the target as soon as possible (subject to regulation), to inform due diligence and integration planning.
- Recognise how much extra resource will be needed to deliver integration and ensure a strong continuing focus on business as usual.

### Post transaction

- Get a grip on the target business as quickly as possible and maintain the momentum of integration.
- Create dedicated teams focused on realising the expected benefits and rigorously performance manage these teams.
- Do not underestimate the challenges of cultural integration. Develop and carry out a consistent and comprehensive culture programme.
- Keep 'over communicating' with staff throughout a transaction, even when there is nothing to report.

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<sup>1</sup> By merger we mean both mergers and acquisitions.

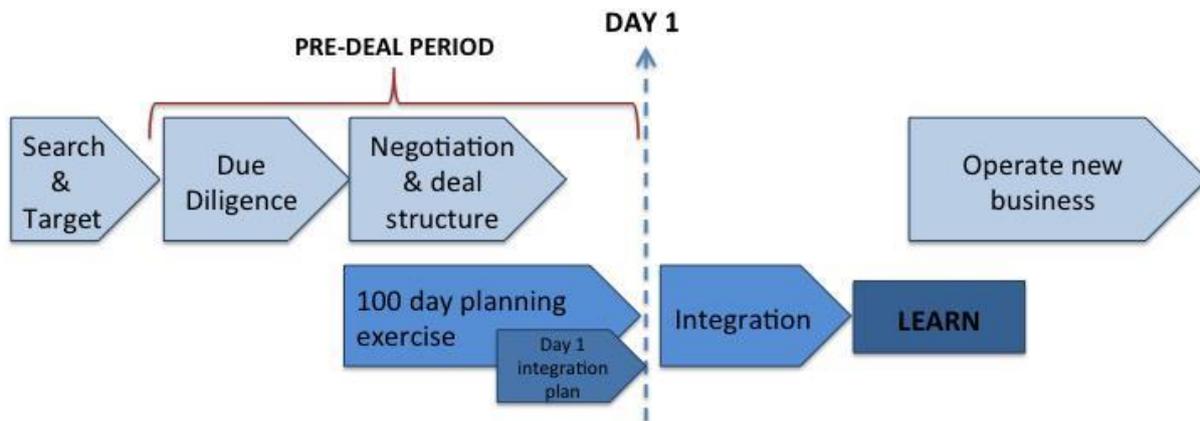
<sup>2</sup> NHS Improvement is the operational name for the organisation that brings together Monitor, NHS Trust Development Authority, Patient Safety, the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.

<sup>3</sup> The full report and other mergers reports are all available at <https://improvement.nhs.uk/resources/how-make-nhs-mergers-work-better-patients>

## Challenges and advice

The challenges of each stage in the merger process and advice for overcoming them are summarised below in the order they occur during the process.

### The mergers and acquisitions process<sup>4</sup>



**Strategy:** The main reason interviewees stated for their mergers was improving the quality of poorly performing trusts; however, the benefits expressed in the deal and integration processes were mainly financial. The underlying assumption was that the deals would resolve quality and safety issues but how this would happen or what resources it would take was not always articulated.

- Make sure the aims of the merger are well understood at the outset by all parties involved, including both financial and clinical benefits.
- Make sure care quality benefits are articulated and funded as well as financial benefits.
- Build all expected benefits into the integration plan and be very clear about the specific changes needed to realise these benefits.

**Pre deal:** The pre-deal period, generally 15 to 24 months, was widely thought to be too long, leading to extra costs and low morale. Despite taking so long, due diligence was frequently not thorough enough to ensure that there were no surprises after the transaction. Clinical due diligence was a particular issue.

- Acquiring trusts should extract details of all relevant issues from due diligence and use them for post-deal integration planning. For instance, clinical due

<sup>4</sup> Danny Davis (2012) 'M&A Overview.' In *M&A Integration: How To Do It. Planning And Delivering M&A Integration For Business Success*, John Wiley & Sons Ltd, UK: 3–15

diligence should probe the processes and issues behind any unsatisfactory waiting times and infection control figures or other performance headlines.

- Merging parties should draw on the experience of other trusts to make sure clinical due diligence is thorough.
- Where possible (from a practical and regulatory perspective) get your own people working inside the target early in the process. (Note: We can provide advice on how early that can be and the type of engagement possible in any deal.)

**Negotiation and deal structure:** All the interviewees stressed the importance of negotiating the correct funding to achieve merger success. Where funding was too low, it was generally because due diligence had missed the real cost of some issues, such as necessary estates repair and maintenance of medical devices.

- Be disciplined in assessing transaction funding requirements as well as in spending decisions post transaction.

**Integration planning:** All the interviewees' foundation trusts and trusts developed plans for the actions they wanted to complete and the benefits they wanted to realise a) on the first day after completion and b) in the 100 days after completion and c) in the two to five years after completion.

- Assess the readiness and ease of integrating each function and clinical specialty.
- Develop comprehensive integration plans detailing the level of integration for each function and specialty, such as IT.
- Consider the distance between sites when planning the new organisational structure. If they are far apart, consider site-based operational management, with devolution of powers to site managing directors. If close, consider creating a cross-site organisational structure, joining up services along clinical specialties.
- Factor the likely post-deal dip in productivity into integration plans.
- Make sure plans detail how non-financial benefits will be realised.

**Integration staffing:** Although trusts strongly recommended using internal staff where possible, most felt their integration teams were under-resourced.

- Use internal staff where possible but bring in external mergers expertise if it is lacking.
- Ensure some of the people who develop the integration plan are implementing it.

- Involve clinical staff through formal workshops to build a ‘bottom-up’ integration plan with buy in across both organisations.
- Backfill internal staff delivering the integration plans to ensure a strong continuing focus on business as usual.
- Develop early warning indicators to ensure appropriate oversight of business as usual while the focus is on integration.

**Integration delivery:** All the trusts said clinical synergies were much harder to achieve than anticipated. Key external stakeholders, such as clinical commissioning groups, at times did not support key projects.

- Appreciate the human factor in all change.
- Get a grip on the target business as quickly as possible and maintain the momentum of integration.
- Create dedicated teams focused on realising the expected benefits and rigorously performance manage these teams.
- Consult and obtain in writing the agreement of stakeholders to integration plans.

**Realising the benefits:** Over-optimism and changes in NHS policy (such as the findings of the Francis report and minimum staffing levels for nurses) were the main causes cited for missing projected financial benefits. On the clinical side, improving performance in a failing trust could take two to three years, making the ‘performance holidays’ allowed by the regulators too short.

- Be realistic (conservative) when planning synergies, particularly clinical synergies.
- Understand and include the cost of aligning pay and staffing levels across the two organisations in the transaction costs.
- Negotiate a realistic performance holiday of at least 12 months from both regulators and commissioners.

**Leadership:** Mergers greatly increase the workload of executives, and mergers and acquisitions experience is rarer in the NHS than in the private sector. However, there are other sources of help and experience.

- Tap into the mergers and acquisitions experience brought by non-executive board members.
- Seek peer support from executives in other NHS trusts who have recent mergers and acquisitions experience.

**Culture:** If merger plans do not take culture fully into account, culture clash may hold back integration.

- Do not underestimate the challenges of cultural integration. Develop and carry out a consistent and comprehensive culture programme:
  - carry out cultural due diligence to understand differences in culture
  - identify the desired cultural end-state and manage culture actively to achieve it.
- Provide the opportunity for clinicians to work with their colleagues within specialties across sites.
- Be honest from the start if it is an acquisition and not a merger of equals.

**Regulators:** Interviewees had three specific recommendations for regulators.

- Streamline the regulatory process to reduce the timeframe needed for approvals.
- Where multiple commissioners have conflicting views, NHS Improvement should work to support aligned commissioning.
- Increase close working among regulators to reduce the number of approvals required.



# *Improvement*

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